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Todd R. Campbell Vice President Public Policy & Regulatory Affairs



July 18, 2018

Mr. Jack Kitowski Division Chief, Mobile Source Control Division California Air Resources Board 1001 | Street Sacramento, CA 9

Re: Comments on ARB Staff updates to the Proposed Innovative Clean Transit Regulation

Dear Mr. Kitowski:

Clean Energy would like to thank the California Air Resources Board (ARB) for the opportunity to provide further comment on this very important rulemaking that both will shape and impact the state's public transit system on a very significant scale. While Clean Energy views any proposal that ultimately reduces air pollution from public or private fleets in a very positive light, it is more important to ensure that any such a regulation delivers meaningful emissions reductions in a very cost-effective fashion to ensure that both federal and state air quality, climate, and petroleum reduction goals are met. After all, our communities' public health depends upon our success as a state. It is in that spirit that Clean Energy offers up the following set of comments to help guide and support ARB staff toward a better final work product that ensures both clean technology advancement and measurable public health and environmental benefits well in advance of 2040.

Introduction

California is in a very fortunate position when it comes to clean transit. The state adopted a reasonable, progressive and flexible rulemaking to clean up regional public transit systems statewide in the early 2000s. Since the adoption of ARB's Clean Transit Bus Rule, roughly half of California's transit properties have adopted compressed or liquefied natural gas bus strategies that not only meet the state's clean air standards and transit agencies' operational needs, but these properties are also capable of incorporating "near zero" engine propulsions systems powered by renewable sources of natural gas. This original rulemaking has successfully demonstrated that: (1) transit properties can deliver immediate and significant reductions in criteria and climate pollutants over diesel strategies through the use of natural gas systems; (2) that such reductions have been achieved due to the reliability and cost-effective nature of natural gas transit bus technology; and, (3) that natural gas systems are capable of delivering comparable

emissions for both nitrous oxides and greenhouse gas emissions as their zero tailpipe emission counterparts on a wells-to-wheels basis.

At the same time, those large transit properties of 200 buses or more that chose not to pursue the alternative fuel pathway by choosing the diesel pathway under ARB's current transit bus rule helped demonstrate zero emission bus (ZEB) strategies powered by battery-electric and fuel cell technologies to date. While such ZEB demonstrations have yet to lead to widespread adoption in transit properties and have missed numerous key deadlines for more aggressive adoption of ZEBs under ARB's current transit bus rule, the rule's ZEB demonstration requirement has led us to today's debate on how best to move forward.

We have closely reviewed ARB staff's current analysis and projections of ZEB technologies (costs, performance, efficiencies, etc.). Such projections are still based on very limited data that may not always represent real world conditions or all transit property needs. Clean Energy therefore shares the concerns of the California Transit Association and its member agencies that the proposed pace of adoption, and the current projections of ZEB technology advancement to come, remain aggressive and overly optimistic. Certainly, history has proven this point repeatedly and have been evidenced by the current Clean Transit Rule which had to be amended numerous time by the ARB's Governing Board. While it is clear that ARB staff are very encouraged about the demonstration of ZEBs by new transit properties or transit agencies adopting policies that commit them to a ZEB endpoint by a date certain, the failure to acknowledge that demonstrations are just that – demonstrations – or that transit commitments to ZEB adoption to date have numerous offramps could mislead the agency's Governing Board into thinking all problems associated with ZEBs applications in transit have been solved or can be overcome.

Clean Energy encourages ARB to use caution and strongly supports amendments to the Innovative Clean Transit Rulemaking that provide (1) a less aggressive and more certain ZEB adoption schedule; (2) at least three technology reviews (2020, 2024, and 2028) to ensure ARB's projections on technology, cost, durability, etc., are accurate; and, (3) the inclusion of offramps that would give transit properties exemptions to ZEB purchases if ZEB technology fails to meet projected benchmarks, underperforms, or fails to meet transit needs.

ZEBs are still not a Proven or Mainstream Transit Technology

Quite to the contrary, recent articles produced by the LA Times and the Albuquerque Journal relating to LA County Metro's and Albuquerque Rapid Transit's experience with one particular manufacturer of electric buses should encourage ARB staff and other clean air regulators to make sure technology expectations or projections are realistic and will do no harm to transit operations or its ridership who upon public transportation to get to their destinations of employment, medical attention, school, etc. Some of the issues that have been listed by the LA Times and Albuquerque Journal concerning electric buses used

at LA County Metro, Antelope Valley Transit Authority, and Albuquerque Rapid Transit include:

- buses stalling on hills;
- far more frequent required service calls than older buses;
- buses returned to the manufacturer for maintenance or deficiencies;
- unpredictable driving ranges below advertised distances, which were impaired by
 the heat, the cold or the way drivers braked (i.e., Metro reports show drivers
 realized no better than an average of 59 miles between charges in addition to a
 federal testing center and transit agencies across the country that logged driving
 ranges dozens of miles short of company claims, limiting the routes they can
 handle and requiring passengers to shuffle onto replacement buses when the
 batteries go low;
- air system failures; and,
- "unsuitable," "poorly made", "poor workmanship" (i.e., according to the LA Times, one bus delivered to LA County Metro came with stuck range selector buttons, a leaking center axle rear air bag from the hose, a damaged door behind rear axle, an oil leak in the axle seal, no rear axle mud flaps, front axle mounting bolts not torqued and painted, no static straps, front wheel spindles still both rusty, no curb feeler, and the fair box was loose).

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	front wheel spindles Both Rusty
	NO CURB feeler.
	FAIR BOX LOOSE

ARB Staff Capital Cost Projection Models for Different Powertrains appear Inflated and Highly Questionable while ZEB Capital Cost Projections Lack Credibility and Omit Enormous State Subsidies that are likely Wasteful and Threaten State's ability to address Mobile Source Pollution or achieve near and long-term federal Ozone Attainment Goals

After reviewing ARB staff's capitol cost projection assumptions for various bus powertrains in Table C4, page 27, of the Standardized Regulatory Impact Assessment (SRIA), it became very apparent that ARB staff applied simple linear capital cost projection for Non-ZEB powertrain platforms and then got creative with the economics for the ZEB platforms. Specifically, diesel, CNG, low NOx CNG, and diesel hybrid platforms uniformly increased in cost by \$167,000 between 2016 to 2030 with next to no explanation as to why these technologies could no longer innovate and reduce costs or improve performance. Comparatively, battery electric bus (BEB) using on-route charging and BEB (330kWh – depot charge) increased only by \$9,000 during the same timeframe. BEB (440kWh – depot charge), BEB (550kWh – depot charge) and fuel cell buses (FCEB) decreased by \$44,000, \$97,000 and an impressive \$453,000, respectively between 2016 to 2030. Clean Energy would like to better understand what data or analysis was used to make up Table C4 and why ARB staff gives only ZEBs the benefit of the doubt for capital cost projections.

During many ICT workshops, participating stakeholders (mostly transit operators) consistently stated that they have yet to see a transit bus go down in price over time. Additionally, we shared this table with Cummins-Westport to get their input and their initial reaction to the table was as follows:

'We find it interesting that all combustion appears to be treated as a monolithic block. Setting the amount of the increase aside for the moment and assuming the end goal is 0.02g NOx, we would anticipate that diesel cost would rise due to the investment necessary to get to that level. The natural gas platform is already there and we're looking at cost-reduction opportunities (without compromising quality of course). So, having the NG cost go up in the same amount as diesel doesn't feel like a reasonable assumption to us.'

It is our hope that Cummins Westport provides ARB staff with their guidance during this comment period as we believe the below analysis is severely flawed, misrepresentative and misleading to policy makers in both the legislative and regulatory space.

Table C4: Projected of Bus Capital Cost for Different Powertrains (2016\$)

Year	Diesel	CNG	Low NOx CNG	Diesel Hybrid	BEB (on-route charge)	BEB (330kWh) (depot charge)	BEB (440kWh) (depot charge)	BEB (550kWh) (depot charge)	FCEB
2016	435,000	485,000	500,000	640,000	750,000	750,000	821,000	892,000	1,235,000
2017	445,000	495,000	510,000	650,000	733,000	733,000	795,000	857,000	1,100,000
2018	456,000	506,000	521,000	661,000	720,000	720,000	774,000	828,000	1,050,000
2019	466,000	516,000	531,000	671,000	710,000	710,000	¹ 757,000	804,000	1,000,000
2020	477,000	527,000	542,000	682,000	703,000	703,000	744,000	785,000	900,000
2021	489,000	539,000	554,000	694,000	704,000	704,000	742,000	780,000	850,000
2022	500,000	550,000	565,000	705,000	707,000	707,000	742,000	777,000	800,000
2023	512,000	562,000	577,000	717,000	711,000	711,000	743,000	775,000	750,000
2024	524,000	574,000	589,000	729,000	715,000	715,000	745,000	774,000	750,000
2025	536,000	586,000	601,000	741,000	720,000	720,000	748,000	775,000	750,000
2026	549,000	599,000	614,000	754,000	727,000	727,000	752,000	777,000	750,000
2027	562,000	612,000	627,000	767,000	734,000	734,000	757,000	780,000	756,000
2028	575,000	625,000	640,000	780,000	741,000	741,000	763,000	784,000	764,000
2029	589,000	639,000	654,000	794,000	750,000	750,000	770,000	789,000	773,000
2030	602,000	652,000	667,000	807,000	759,000	759,000	777,000	795,000	782,000

We find ARB's capital cost analysis for ZEB powertrain projections to be very optimistic and uncharacteristically bearish for all other non-ZEB strategies that have mostly proven themselves in the transit space. In fact, if a technology ever demonstrated high costs for both purchase and operation, one only needs to look at recent newspaper articles from investigative reporters covering ZEBs to find out. Another reference point that highlights or uncovers the high costs associated with a ZEB strategy would be the enormous number of subsidies that the state, let by ARB, is shifting toward a ZEB strategy; from incentives that support high incremental costs of vehicles and charging infrastructure to the efforts to modify utility rate design to combat high electricity costs during peak hours. Finally, upon reviewing Foothill Transit's June 5, 2018 letter, the high costs associated with BEB strategies are worse when it comes to the price of electricity.

In other words, if ZEBs are shown to reduce costs to transit properties over time, it most likely will be due to several forms of artificial financial subsidies from the state's coffers which are likely to have been omitted from ARB's analysis. Of course, this does not account for the tremendous expenditures that ratepayers will have to bear to build supporting utility infrastructure statewide or the costs to taxpayers associated with the recycling of battery waste as proper battery recycling remains to be a significant issue for both public health and waste disposal. Meanwhile none of these costs will get us closer to federal ozone attainment in 2023 or 2031.

Recent ARB Carbon's Emissions Announcement Highlights the Urgency to Address Mobile Sources More Broadly

While it is laudable that ARB has recently announced that California has reduced its carbon emissions to pre-1990 levels, it is not surprising that UC Berkeley's energy economist Severin Borenstein made the following observation in a July 11, 2018 San

Francisco Chronicle article entitled, "California Slashes Emissions, Hits Major Greenhouse Gas Goal Years Early":

Borenstein pointed to transportation, the largest source of greenhouse gas emissions in the state, as a major challenge.

According to the Air Resources Board, emissions from transportation grew in 2016, as relatively cheap gasoline and a strengthening economy led to higher fuel sales. And while California has aggressively supported electric cars, only about 200,000 are registered in the state.

"We have not made progress on transportation," Borenstein said. "We've made negative progress."

It is for all of these reasons and observations that Clean Energy does not believe ARB is pursuing a course to improve public health and that it is acting more like a technology incubator agency. We strongly recommend ARB to step back and re-evaluate a more collaborative and constructive approach to the Innovative Clean Transit final draft that embraces multiple strategies to more cost effectively achieve the same, if not better, air quality benefit outcomes.

Proposed Rulemaking should not jeopardize State's Ability to Meet 2023 Federal Attainment Deadlines or Corner the Majority of Clean Heavy-Duty Vehicle Incentive Dollars to Achieve It

California's transit agencies, for the most part, are incredibly clean fleets that have traditionally operated cutting edge clean air technology. That stands to explain why California's transit fleet is less than 1% of the mobile source pollution problem statewide. In other words, even if California's transit properties were able to convert to 100% ZEBs today, the state would still fail to meet our federal ozone attainment deadline set for 2023 in the South Coast and San Joaquin Valley.

Meanwhile, mobile source air pollution is a major obstacle to reaching federal clean air standards, particularly for tropospheric ozone most commonly known as smog. The proposed Innovative Clean Transit rulemaking, with its very aggressive schedule, is creating a panic for transit agencies statewide to lock in California's clean vehicle incentive funding so that their operations and budgets will not be severely impacted by the proposed rulemaking. While we cannot blame transit properties for acting out of self-preservation, this rulemaking should ensure that it does not create shortages of vehicle incentives for other key heavy-duty fleet markets that are having a greater impact on regional and statewide air quality.

Billions and billions of dollars may need to be allocated to California's transit properties to meet the aggressive deadlines set within the proposed rule. Such a drain on existing clean vehicle incentives, therefore, could lead to other mobile source sectors that have a much greater impact upon regional air quality (i.e., heavy-duty trucking in goods movement and other services) to not receive the funding required to properly commercialize clean vehicle growth in a systemic way. Further, heavy-duty trucks are the leading source of mobile source air pollution and are certainly the most cost-effective way to tackle the mobile source pollution problem. Failure to recognize this fact and diverting a majority of clean vehicle incentive funds exclusively to transit systems will lead to non-attainment as a result in 2023. ARB staff should be doing everything to avoid this conclusion, but it appears even the Chair of the ARB Governing Board believes attainment by 2023 is "doubtful".

From an air quality standpoint, it seems to be more reasonable to focus dollars on costeffective strategies that can move the needle for mobile source air pollution rather than spend the majority of what little dollars this state has on transit properties that, by all intents and purposes, are already very clean fleets.

Near Zero Engines to be Incorporated into Future Fleets Should Meet 0.02 g/bhp-hr Optional Low NOx Standards Only

ARB often leans upon our California Transit Operators to help innovate and bring to market clean air strategies that are needed for future adoption in other fleets within the mobile source sector. That is why it is critical that ARB only allow near zero engine strategies that meet the 0.02 g/bhpr-hr optional low NOx standard. Not only will this drive engine technology to the most optimal standard for NOx, help support the highly anticipated ARB low NOx standards to be adopted in 2019/2020, it will also help improve public health for transit ridership immediately.

Proposed Rulemaking Must Be Sensitive to Transit Property Needs to avoid Further Acceleration of Statewide Trend of Ridership Decline

A recent report entitled, "Failing Transit Ridership: California and Southern California", concludes that transit properties are suffering from significant loss of ridership up and down the state. Therefore, forcing transit operators to move too fast or too soon may further add to the already significant losses of ridership that this January 2018 report highlights. This could especially be the case if technical failures of ZEB operation or increased fares required to operate ZEBs materialize. ARB staff should not downplay the fact that transit agencies across the country have logged driving ranges dozens of miles short of company claims, limiting the routes they can handle and requiring passengers to shuffle onto replacement buses when the batteries go low. Poor ridership experience is not a good way to retain ridership and it further impairs regional authorities in managing air quality from mobile sources.

Proposed ZEB Purchase Schedule with Waivers is an Improvement but remains Aggressive. Final Rule should consider a more even and certain Adoption Ramp and Include Technology Evaluations to insure ARB Staff Projection Accuracy

Clean Energy appreciates ARB staff's revised ZEB purchase schedule which moves back the requirement's start time from 2020 to 2023. Clean Energy also believes that ARB's proposal to include two waivers for years 2023 and 2024 if 1,000 or 1,150 ZEBs are purchased statewide respectively by 2020 and 2021 by California's transit agencies does add more flexibility to the schedule but creates uncertainty in terms of the ZEB purchase requirement schedule. Further, what the proposed rule draft fails to discuss is how the ZEB purchase schedule might be impacted if either of those ZEB milestones are met and ZEBs proves not to meet transit agency operational needs.

Table 1. ZEB Purchase Schedule

Calendar Year	ZEB Percentage of New Bus Purchases		
	Large Transit Agency	Small Transit Agency	
2023*	25%	-	
2024*	25%	-	
2025	25%	-	
2026	50%	25%	
2027	50%	25%	
2028	50%	25%	
2029 and after	100%	100%	

^{*}See Waiver for Early Compliance section below.

Clean Energy would suggest that the final Innovative Clean Transit rulemaking alternatively consider setting a 10% Large Transit Agency ZEB purchase requirement by 2021 and keep the 25% and 50% Large Transit Agency ZEB purchase requirements by 2025 and 2027, respectively (i.e., eliminate 2023, 2024, 2026 and 2029 proposed ZEB purchase requirements entirely from Table 1). Additionally, ARB staff would conduct public workshops to evaluate the state of ZEB technology in 2021 to determine if any modifications to the proposed ZEB purchase requirements in future years need any adjustment to accommodate the state's transit agency operational needs.

Clean Energy's Alternate ZEB Purchase Schedule

Calendar Y	'ear	ZEB Percentage of New	w Bus Purchases
		Large Transit Agency	Small Transit Agency
2021		10%	0%
2025		25%	0%
2027		50%	25%
2029	and		
after		100%	100%

Clean Energy believes that our proposal not only would provide the state's transit properties with more certainty of what would be expected of them, it requires all large transit properties to invest and demonstrate ZEB strategies in their operations versus just a handful of transit properties across the state making these kinds of investments and minimizing the air quality benefits to only those properties that have decided to move more aggressively. Further, when ARB holds its workshop to evaluate ZEB technology in 2021, it will be able to review more data from transit properties statewide that may have differing geographical, service or operational needs to make ZEB strategies work. Such ZEB technology workshops would also provide transit properties to share best practices and issues that may provide ARB staff with better guidance on how feasible outer year ZEB purchase requirements might be for both large and small transit properties.

Short of Adopting a More Evenly Flowed New ZEB Purchase Timeline, Clean Energy Recommends a More Measured New Purchase Adoption Timeline if Early ZEB Adoption Targets are Met

If ARB staff wants to maintain the 2019 and 2020 early ZEB adoption dates as a condition to push back the 2023 and 2024 purchase mandates of 25% ZEBs, we would recommend that ARB also adjust the out years for the 50% and 100% requirements accordingly, especially since it is completely possible that the 1,000 or 1,150 early ZEB adoption targets would most likely be met by some of the state's larger transit properties versus smaller properties that have less access to capital or ability to perform early demonstrations. Specifically, we would recommend that the timeline for new purchases if early adoption goal posts are met look as follows:

Table Assumes Early ZEB Requirements for 2019 and 2020 Are Achieved

Calendar Year	ZEB Percentage of New Bus Purchases		
	Large Transit Agency	Small Transit Agency	
2025	25%	-	
2029	50%	25%	
2032 and after	100%	100%	

Again, by having a more measured adoption schedule, ARB would be allowing our state's transit properties to make better and more informed investments in ZEB technology resulting in greater certainty, less taxpayer dollar waste, less risk to ridership and better planning. Clearly, forcing transit agencies to go down a more aggressive and uncertain pathway using the premise that this will help air quality or improve the state's SIP goals is not a credible argument, especially when ARB's and local air districts' data shows that transit is less that 1-2% of our NOx emissions and the agency's chair already believes SIP attainment for the South Coast or the San Joaquin Valley by 2023 is "doubtful".

Definition of Large Transit Agency should remain at 200 or more buses

During the June ARB workshop on the Innovative Clean Transit proposed rulemaking, ARB's Tony Brasil explained that the agency's decision to alter the definition of large transit agency from properties that operate 200 to 100 transit buses was based on staff's desire to see more transits in the Central Valley accelerate the purchases of innovative clean transit buses sooner to combat poor air quality. However, referencing ARB's Innovative Clean Transit Regulation Standardized Regulatory Impact Assessment (SRIA), Table C1 on page 19, it reports that there are no large transit agencies (>=100) for rural areas which describes most of the Central Valley with Fresno and Bakersfield as possible exceptions. Upon looking up NTD/FTA data, however, Fresno Area Express and Bakersfield's Golden Empire Transit have 98 and 88 full size buses, respectively. Further, according to the San Joaquin Valley Air Pollution Control District's emissions inventory, most mobile source emissions for the region come from heavy-duty trucks that operate in the goods movement space. Transit, conversely, is estimated to make up less than 2% of the region's mobile source emissions (see SJVAPCD Appendix B Emissions Inventory for the Proposed 2016 Plan for the 2008 8-Hour Ozone Standard).

Staff originally set the definition of large transit to properties that operate 200 or more transit buses for technical reasons. Specifically, this size of transit is more likely to have the capabilities and wherewithal to take on and demonstrate ZEB strategies with less operational pain than transit agency fleets of a smaller size. Clean Energy believes ARB staff should not deviate from the regulations original definition for large transit set at (>=200) buses and consider ways to help smaller transit fleets, particularly those in rural communities, partner with other local transportation-based businesses to adopt transit operations that utilize near zero emission strategies immediately.

Near Zero Strategies Combined with Renewable Fuels May Make More Sense for Central Valley Transits

Clean Energy agrees with ARB staff that it will be critical for the Central Valley to reduce NOx emissions from mobile sources now to combat unhealthful levels of ozone emissions. The final rulemaking should therefore give rural transit agencies the option to pursue near zero engine strategies powered by renewable fuels as a pathway. From an urgency, cost-effective and reliability standpoint, such a pathway for rural transits would make a lot

more sense. New fueling infrastructure development for rural transit agencies could potentially partner with local or long-haul trucking firms that may be in the process of operating near zero emission trucks powered by renewable natural gas to address the NOx emissions associated with their industry. Specifically, regional and long-haul trucking will need additional renewable natural gas fueling opportunities throughout the Central Valley to power near zero trucks that meet the most stringent optional low NOx standard (i.e., 0.02 g NOx) and can use biomethane-derived from local dairies and other anaerobic waste methane sources.

Resiliency Considerations Appear to be Lacking

As we have witnessed time and time again, natural disasters often require the help and support of regional public transit bus fleets. These fleets often play a critical role in mobilizing the public so that they can evacuate areas that have been hit hard by hurricanes, wildfires and floods. In many cases, these natural disasters have wreaked havoc on electrical power systems that disable both electrical and diesel transit bus platforms. Meanwhile, natural gas buses have often been used to help move people during times of crisis as the pipeline system was not impacted (see the Office of Energy Efficiency and Renewable Energy's "5 Ways Alternative Fuels Aid Response to Hurricanes and Natural Disasters at https://www.energy.gov/eere/articles/5-ways-alternative-fuels-aid-response-hurricanes-and-natural-disasters).

The New York Times came out with a series of articles of late that talks about the seismic readiness of current building codes and found that the current code underestimates major earthquakes, especially if the epicenter along the fault lines hit in an urban area. This compounded by the fact that California's cities are increasingly more dense and a building failure could also impact surrounding locations adversely, our readiness to mobilize the population up and down the state is of great importance (see NYT's April 17th article entitled, "San Francisco's Big Seismic Gamble" NYT's April 18th article entitled, San Francisco Earthquake Risks: Questions and Answers", NYT's June 29th article entitled, "California Today: Making Earthquake Safety More Intelligible" or NYT's July 6 article entitled, "California Today: How Much Is a Safe Building Worth?").

We therefore share Foothill Transits concerns outlined in their letter to Mary Nichols concerning this proposed regulation on June 5, 2018 regarding resiliency during unexpected conditions. Like Foothill Transit, many of California's transit properties do not require electrical power to fuel their CNG bus fleet. However, if the electrical grid should become compromised, an all-electric transit fleet certainly would be caught flatfooted and unable to answer the call of local leaders to help in an emergency. It is not clear if ARB staff has thought about this scenario or what staff would propose to remedy this regional need for mobility. It certainly begs the question of whether it is wise to only look to one strategy when it comes to public transit fleets. We recommend staff consider more diversification of clean air strategies in the final ICT rulemaking.

Concluding Remarks

Clean Energy would like to thank ARB staff for the opportunity to comment on the proposed Innovative Clean Transit rulemaking. We are very troubled by ARB staff's analysis and projections as it is biased and uneven in comparing several strategies that are ultimately designed to help clean California's overall air quality and transit ridership experience. We believe that overloading our transit properties with spiraling costs associated with a very aggressive ZEB purchase timeline will not only threaten the future of transit ridership, but it will also result in marginal emissions benefits under the best case scenario for transit bus systems while potentially eliminating the state's ability to provide much needed incentives for other key fleet sectors (i.e., heavy-duty class 8 trucks) that make up the lion's share of mobile source pollution across the state. Like Severin Borenstein rightly concluded, "We have not made progress on transportation," Borenstein said. "We've made negative progress."

Sincerely,

Todd R. Campbell

Vice President, Public Policy and Regulatory Affairs